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ABSTRACT

The relation of the concept of metapolicy to the evaluation agenda is discussed. Metapolicy is a general rule or policy about how public policies should be made or implemented. Broad shifts in metapolicy create new agenda items for evaluation. If the shift is toward reduced federal involvement in social programs, new evaluation questions are not as easily identified as when increasing federal involvement has brought them out. Examining the metapolicy itself can suggest questions for evaluation. The principles of New Federalism as examples of metapolicy are discussed. Using the example of the capital-intensive privatization of municipal waste water treatment services, metapolicy is evaluated. (SLD)

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METAPOLICY TRANSITION: AN ALTERNATE ROUTE TO THE EVALUATION AGENDA

INTRODUCTION

A growing literature addresses the problem of how to formulate the "evaluation agenda," meaning the schedule of issues at national, state, and local levels to which evaluators address professional attention with some plausible expectation that their results will be used. In particular, some recent contributions (Chelimsky, 1987; Ingraham, 1987) urge increased attention to the institutional settings and processes in and through which programs are designed and implemented.

Scrutiny of these matters doubtless represents one important avenue for identifying evaluation opportunities. The present paper suggests, however, that certain kinds of opportunities for evaluative research are more readily discernible through attention to a very different level of political system and process. The central concept in this argument is "metapolicy."

The purpose of this essay is to call attention to the concept of metapolicy and to suggest its relation to the evaluation agenda. Briefly, a metapolicy (Dror, 1968; Johnson and Heilman, 1987) is a general rule or policy about how specific public policies shall be made or implemented. For instance, the New Federalism emphasizes reducing federal expenditures, increasing state and local responsibility, and increasing reliance on the private sector. These principles are metapolicies. They have shaped many particular pieces of legislation. They stand in contrast to metapolicies of some earlier eras, such as those of the Great Society and the New Deal.

The suggestion is that broad shifts in metapolicy create new agenda items for evaluation. In some instances these opportunities will be more readily perceived than in others. For example, when the direction of the change in metapolicy is toward greater federal involvement in social programs, the opportunities are obvious. To identify them we look to the programs which Congress authorizes and which federal and state agencies administer. When the shift is in the opposite direction, however, the new opportunities can not be detected in the same way, because national government begins doing less, not more, to address society's needs through public programs. In such cases we need to develop an alternate way of identifying new evaluation questions.

One potentially useful strategy in such a case is to look to the metapolicy itself for clues. The nature of the metapolicy, and its impact on specific policies, can suggest questions which are ripe for evaluation. In this way the examination of metapolicy, and the consequences of changes in metapolicy, may provide an alternate route by which issues reach the evaluation agenda.

In the case of the New Federalism metapolicies, for instance, the emphasis on private sector activity is suggestive. It alerts analysts to the potential of the private sector to devise new ways of providing or producing public services which were traditionally offered only through programs of the public sector. Where the private sector develops such innovations, evaluation is warranted.

The body of the paper demonstrates this process using the example of capital-intensive privatization of municipal wastewater treatment services. The outline of the argument is as follows. The first step is to develop the concept of metapolicy. The next step is to discuss the principles of New Federalism as examples of metapolicy. Attention then turns to the way in which these general principles led to specific policy outcomes which in turn created an opportunity for privatization in the early 1980's. A concluding section addresses the implications of this argument for some current issues in the evaluation field.

METAPOLICY AND METAPOLICY TRANSITION: THE CASE OF NEW FEDERALISM

Two decades ago Yehezkel Dror (1968:160) offered a useful distinction between policy and metapolicy. In his usage, policy consists of "major guidelines of action." Metapolicy is policy about making policy and implementing it. It establishes overarching general rules which guide the development of substantive policies in a variety of specific areas. The following discussion of metapolicy, metapolicy transition, and clean water policy draws on the treatment of these subjects by Johnson and Heilman (1987).

Dror states that metapolicy is derived from assessing the fit between some posited fundamental values and the state of affairs in the real world. "The differences between the policymakers' values and their subjective images of reality are the subjective problems of the system." (Dror, 1968:169.) With reference to the New Federalism as an example, the Reagan administration has "seen" a problem of too much responsibility in the hands of the public sector generally and the national government in particular.

The metapolicy maker proceeds to examine the "subjective images of reality to see which parts of them can be used as

resources to solve subjective problems," and engages in "Designing, Evaluating, and Redesigning the Policymaking System." (Dror, 1968:171,172). Thus, under the New Federalism the metapolicy maker concludes that state and local governments and the private sector can handle many responsibilities which they do not now have. And, the New Federalist metapolicy maker sets out to redesign the system to transfer responsibility to those sectors.

Dror adds (1968:172) that "part of this operation can be carried out by suboptimization, that is, by subdividing policy into convenient parts, usually organizational structures whose various units specialize in different subpolicies." In the next section of this paper we trace out some of the specific suboptimizing policies which were shaped by the overarching metapolicies of New Federalism.

However, there can be a price to pay for the convenience of suboptimization. In particular Dror cites the "risk that subpolicies will not be properly integrated or synchronized, which could distort the aggregative effects of policymaking." In other words, if the specific program decision that give effect to principles of metapolicy are not carefully coordinated, they may conflict with each other and cause disruption at the level of implementation.

In this vein deLeon (1983:639, quoting Cameron, 1978:305-306, and addressing the issue of policy termination) observes: "'To the extent that the conceptual dimensions of policy are formulated on the basis of "sweeping universals," they are likely to lead to "'a patchwork, piecemeal process characterized by a vast aray of unanticipated consequences.' Under such conditions one could only expect a series of program reductions and terminations ill-conceived, badly managed, and counterproductive in their effect."

For purposes of the present discussion, the New Federalism invokes several premises which can be seen as metapolicies. They include commitments to increasing state and local responsibility for programs, reducing federal expenditures, involving the private sector, and balancing the budget. This package of principles stands in stark contrast to those which guided substantive policy making in the 1960's under the banner of the Great Society. In that era the overarching commitments were to national policy supported by national funding for national programs. Clearly, there has been a substantial transition in metapolicy during the 1980's. What are the practical consequences for the policy process of a "redesign" effort massive enough to implement this change in basic philosophy? For one answer to this question we review recent developments in a particular area: national clean water policy.

A CASE STUDY IN THE CONSEQUENCES OF METAPOLICY TRANSITION: NEW FEDERALISM, CLEAN WATER POLICY, AND CAPITAL-INTENSIVE PRIVATIZATION

Recent transitions in metapolicy and policy have strongly affected implementation of the Water Pollution Control Act of 1972, generally referred to as the Clean Water Act.[1] The story of these transitions illustrates the complexity inherent in implementing, within a federal system, multiple specific policies shaped by potentially conflicting overarching norms. Figure 1 summarizes the discussion which follows.

The Clean Water Act (CWA) of 1972 set in place a substantially expanded federal involvement in cleaning up polluted water. The CWA provided for a $30 billion, six-year, 75%-25% matching grant program. Typically for such programs, the federal role was to provide the national policy, compliance standards, and grants in aid to be administered by state agencies and used by local governments to address local water pollution problems. Since 1972, Congress has authorized some $40 billion for construction of publicly owned wastewater treatment works (WTWs). The annual authorization is now about $2.4 billion.

Though substantial, funding through the Environmental Protection Agency (EPA) is far from sufficient to meet documented need. The 1986 EPA Needs Survey (Environmental Protection Agency, 1986) documented over $76 billion of WTW needs eligible for federal funding under the CWA. Even with continued full federal funding of an EPA grant or loan program, additional money would be required to meet existing needs.

Thus there are financial pressures on municipal officials who want to clean up their wastewater. The financial pressures interact with regulatory requirements: as directed by statute, EPA is requiring municipal compliance with national standards by July 1, 1988. Moreover, the tendency has been to expand clean water requirements. For instance, 1987 CWA revisions extend coverage of effluent requirements to storm sewer runoff.

Compounding the problems of needs, resources, and compliance is a continuing reduction in the percentage of WTW project funding which EPA grants can cover. Federal grants for WTW construction declined from annual authorizations of more than $4.2 billion to $2.4 billion for FY84 and FY85. The CWA amendments of 1981 reduced EPA funding from 75% to 55% and reduced eligible costs in most cases. The net result of these changes is that if a city is able to get on the state priority list and receive any funding at all, the support it does receive will cover only around 33% of total project costs for new or expanded capability facilities.

Here we see an example of the confusion which deLeon predicted might occur when sweeping universals are translated into specific policies. Consistently with the New Federalism metapolicies of increased local responsibility and decreased federal funding, Clean Water Act compliance requirements on municipalities were toughened at the same time levels of federal support were decreased. Municipal decision-makers undertook intensive searches for ways of implementing clean water policy requirements under these constraints. And, for some of them, an alternative emerged which was driven by additional policies which reflected the New Federalism.

The alternative was capital-intensive privatization, and the New Federalism principle which nourished it was the commitment to greater private sector involvement in service production and provision. This metapolicy found expression in specific tax code changes in the early 1980's. In particular, the Economic Recovery Act of 1981 and the Tax Equity and Fiscal Responsibility Act of 1982 provided tax incentives for private investors to enter the field of capital intensive public works projects, including WTW construction. These incentives included accelerated depreciation, use of tax exempt industrial bond issues, investment tax credit, and favorable rules with respect to retaining arbitrage (profits from temporary reinvestment of the proceeds of bond issues). The Deficit Reduction Act of 1984 further defined this area of activity by effectively limiting such arrangements to long-term contractual agreements, and by making special provisions for WTWs.

Private sector engineering and financial firms responded to the combination of municipal need and favorable tax laws by developing the option of capital-intensive privatization of municipal wastewater treatment facilities. This approach involves (Goldman and Mokuvos, 1984) private ownership and operation of the plant, with the city paying a fee in return for service. Financing is typically, but not necessarily, accomplished through a tax exempt municipal bond issue, the proceeds of which are loaned to a private sector party, such as a limited partnership between the municipality and the owner-operator. This comprehensive form of privatization differs from the well-established and simpler practice in which a city contracts with a private firm for operations and maintenance services after the plant is complete.

DISCUSSION

The emergence of the CIP option in the WTW field is directly traceable to the metapolicy transitions of the New Federalism (see Figure 1). In the 1960's, a dominant metapolicy was to promote active federal involvement in solving problems with

national policies, programs, and resources. The 1980's have witnessed a shift of metapolicy toward reduced federal involvement in many areas of policy, programs, and resources, primarily through deregulation and funding reductions.

As this shift in metapolicy took hold, corresponding changes in substantive policies occurred. The reduction in EPA grants was one result and the tax law changes of 1981 and 1982 were another. Each set of changes affected options for implementation of the national policy promoting clean water. The changes themselves were suboptimizations: they were uncoordinated at the national level. However, they were coordinated at the implementation level in the form of privatization independently of any general national policy. This implementation option did not emerge from any of the standard governmental arenas of policy design; it developed primarily through the initiative of the private sector.

It is especially important to note that we have here a program of activity which clearly requires evaluation. There is ample evidence that decisionmakers at several levels of government want an independent assessment of how this form of privatization works, its advantages and potential risks, and its advisability as a strategy municipalities should consider. They want such an assessment because wastewater treatment works represent major long-term investments for many municipalities. And, the evidence from the early deals is complex. It appears that through tax advantages and "fast-track construction," privatization can result in net savings to municipalities of 20% or 30% in life-cycle costs of plant design, construction, and operation. At the same time, municipal leaders are concerned about both practical issues and matters of principle. For example, they question how the complex contractual arrangements are going to work out over the twenty year period which the initial deals cover. And, they feel a certain malaise at the prospect of signing over to the private sector responsibility for a traditionally public function.

Indeed, a national level evaluation is being conducted; the assertions about the level of interest in it are based on extensive contacts which the authors as the principal investigators have had with decision-makers at all levels of government and in both the legislative and executive branches. Interestingly, the policy context for privatization has changed during the course of the study. Tax code changes in 1986, informed by the New Federalism metapolicy of reducing costs to Treasury, have eliminated many, though not all, of the tax incentives which drove the early privatization deals. One likely consequence of the 1986 tax code changes will be to create new programmatic initiatives, some of them at the level of state government, to assist in the implementation of national clean water policy. In other words, the metapolicy transition which occurred in the early 1980's is still generating change and

evaluation opportunities as the end of the decade approaches.

SUMMARY AND CLOSING OBSERVATIONS

To summarize, capital intensive privatization of municipal wastewater treatment works has reached the evaluation agenda as a product of metapolicy transition. It was developed not as a government program but in the absence of coordinated federal policy at the national level. Relying on this example, we suggest that metapolicy transition can generate new opportunities for evaluative research; it offers an alternate route to the evaluation agenda. Further, the concept of metapolicy is relevant to a number of current or potential issues or proposals in the evaluation field. We close with some observations on a few of these matters.

Firstly, the proposal in the present paper complements a recent contribution in which Chelimsky (1987:7-9) directs our attention to the legislative process. An important part of her argument is that "Congress after all does continually make 'go/no go choices between fixed alternatives," and bases these decisions on information. Here then we have an institutional locus within government in which evaluation results can be and routinely are used, and which therefore can serve as a source of items for the evaluation agenda. In part the point of the present paper is that the concept of metapolicy helps explain the inevitable lacunae in the programs Congress develops, and suggests that activities to fill these gaps will be generated in other places.

Secondly, the notion of policy design (see especially Ingraham, 1987) appears particularly deserving of attention. The interconnectedness of policy design and metapolicy with the development of evaluation can be drawn out through analogy to the experience of the planning profession. In some ways the current status of evaluation as a discipline, a profession, and a practice is comparable to that of planning some thirty years ago. In the 1950's, the field of planning was technical, and had its base in architecture and engineering. It reflected the politics administration dichotomy, was a captive of the bureaucracy, and was subject to a questioning and challenging of its role in the processes of government and policy making.

Beginning in the 1960's, planning began to move out of this narrow technical role. It abandoned the dichotomy between politics and administration, revised its curriculum, and began to communicate with the political and policy processes. The emphasis in planning evolved from architectural design to physical planning, to comprehensive planning, to advocacy planning. Chelimsky (1987) and Ingraham (1987) can be read as encouraging a comparable transition for evaluation. Rather than focusing mainly on bureaucratic agency politics, Chelimsky suggests, we should be attending to legislative process and politics.

What reason would there be for doing this? Part of Chelimsky's and Ingraham's message appears to be that a major activity of bureaucratic agencies is to implement policy decisions which have been cast in law by legislatures. To the extent that evaluation restricts its focus to program implementation through agencies, it buys into the now discredited distinction beween politics and administration, and remains somewhat in the posture of the technical planner. The metapolicy perspective provides an avenue for a broadened evaluation agenda and for the evolution of evaluation. It represents an essential but not always obvious contextual element for policy design as this occurs in legislatures and elsewhere, both within and outside of the formal institutions of government. In sum, the metapolicy perspective suggests that a maturing practice of evaluation will increasingly address the policymaking context in which specific programs are designed as well as implemented.

Authors' Note

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REFERENCE NOTE

[1]The Federal Water Pollution Control Act (FWPCA) as amended by the FWPCA Amendments of 1972, Pub. L. No. 92-500, Title 1, Sec. 101 (a), 86 Stat. 816, 33 U.S.C. Sec. 1251 (a), as further amended by Public L. No. 95-217, 91 Stat. 1566 (1977).

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